working hours, on weekends and holidays. Two fleets do not permit personal use for vacation travel.

Seven fleets place specific limitations on personal use. In two fleets the limit is 20 percent of the total mileage driven; in another fleet personal use must be less than 50 percent of total use. Three of the fleets limit use on vacations; the limits are 300, 1,000, and 2,500 miles.

Seven fleets in the group do not charge for personal use; 56 do require a chargeback. Twenty fleets use a straight mileage charge; 26 have a flat weekly or monthly use charge, while eight have a combination of mileage and flat rate chargeback policy.

"Sixty-two of the 63 fleets in the Manufacturing-Industrial Group permit personal use of the company-provided car after working hours, on weekends and holidays."

Among the fleets with a mileage charge; three each set it at 10, 12, and 14 cents a mile. Two fleets charge 11 cents a mile, while one fleet each has these charges: 8, 9, 13, 18, 18½, and 20½ cents a mile. One fleet charges 8, 10, or 12 cents a mile depending on size of car driven.

Five of the fleets with a flat monthly rate charge $35 a month; three fleets each charge $25, $30, $40, and $50 a month. Other monthly charges (each by one fleet) are: $55, $75, and $80 for a four-cylinder car, $100 for a six-cylinder car. Weekly charges (each by one fleet) are $5, $12, $13, and $18. One fleet charges $570 a year for personal use of the company car.

Eight fleets employ a combination of mileage and flat rate for personal use chargeback. They are (each by one fleet): five cents a mile with a $50 minimum per month, or one-half of one percent of the car's capitalized cost; fuel plus $50 a month; 10 cents a mile and $25 a month; 17 cents a mile and either $45 or $55 a month; seven cents a mile plus $55 a month for vacations; 14 cents a mile over 1,000 a month plus $115 a month; eight cents a mile and $34 a month, and $40 a month plus three cents a mile for each cylinder in the car's engine.

Twenty-seven fleets in the group collect the personal use chargeback through an expense report deduction; twenty-one have a salary deduction program, while six add the personal use charge to the employee's W-2 form as additional income.

Two fleets restrict personal use to the employee alone; the remaining 60 fleets permitting personal use say both the employee and spouse can drive the company car. In addition, 30 fleets permit licensed children to use the car, and four fleets extend the driving privilege to "others" living in the same household as the employee.

Thirty-three fleets have a minimum age requirement before personal use is permitted. In 12 fleets it is 21 years of age; in nine fleets each it is 18 and 25. One fleet each sets the minimum at 19 and 20, while one fleet has a minimum age of 21 for females and 25 for males.

In 28 fleets some portion of the repair cost resulting from an accident during personal use is charged to the employee. One fleet charges the full amount; 12 have a specific dollar amount that ranges from a low of $100 to a high of $1,000, with $100 and $250 being the most frequent. Fourteen fleets charge the "insurance deductible" to the operator. The range in this category is from a low of $50 to a high of $1,000; $250 is the most often cited figure.

Thirty-three fleets charge the employee with an accident if another person was driving the company car when the accident occurred.

2) Car Assignment

In responding to the question, "What factors govern assignment of a company provided car?" 27 fleets report business mileage as the dominant factor; 52 said it is "job title," while 12 cite "fringe benefit." One fleet says "economic justification" determines car assignment, while another requires a minimum of one year on the job. There are more responses than participating fleets because of multiple answers by a number of fleet managers.

Among the fleets citing business mileage, 10 use 15,000 miles a year as a criterion; six set the level at

(Continued on page 26)

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Personal Use Survey Results

(Continued from page 25)

10,000 miles a year. In three fleets the minimum is 18,000, while in two fleets it is 12,000 miles. One fleet each sets the minimum requirement at 6,000 miles a year, 13,000, 14,000, 17,000, 20,000, and 22,000 business miles a year.

3) Business Use of Personal Cars

In reimbursing an employee for business use of a personal car when there is no assigned company car, 28 fleets pay the employee 20 cents a mile. Seven fleets pay 20½ cents a mile; four pay 21 cents. One fleet each pays 17, 18, 22, and 32 cents a mile for such use.

Seven fleets employ a mileage rate and fixed payment scale to reimburse the employee. The rates are (in one fleet each): nine cents a mile and $55 a week; nine and half cents a mile plus $325 a month; 10 cents a mile and $175 a month; eight cents a mile and $180 a month; 20 cents a mile and $325 a month; eight and a half cents a mile and $270 a month, and 10 cents a mile plus $200 a month. Two fleets reimburse the driver on a graduated or sliding mileage scale. The rates are 20 cents a mile for the first 1,500 miles a month, then 11 cents a mile, and 21 cents a mile for the first 1,250 miles, then 10 cents a mile.

"Two fleets in the Manufacturing-Industrial Group restrict personal use to the employee alone; the remaining 60 fleets permitting personal use say both the employee and spouse can drive the company car."

When an assigned fleet car is not in service, every fleet but one reimburses the employee for use of a personal car on a straight mileage basis. In 36 fleets the rate is 20 cents a mile; in nine fleets it is 20½ cents a mile; four fleets pay 21 cents. One fleet each pays 9½, 17, 18, 18½, 22, and 22½ cents a mile. The one fleet with a sliding scale pays the employee 20 cents a mile for the first 1,250 miles then 10 cents a mile thereafter.

4) Compensation for Loss of Car

Only three fleets in the Manufacturing-Industrial Group make a one-time cash payment to an employee who, because of transfer or reassignment, is no longer eligible for a company car. One company will pay the value of the car or buy it and give it to the employee; another makes a payment equal to one-third the value of the car, while the third makes an allowance for use of public transportation. In New York and Chicago the allowance is $250 a month.

However, 24 fleets are willing to sell the company car to an employee who is no longer eligible for car assignment. Five fleets set the price at "wholesale value;" four sell it at "book value." AMR is the pricing guide in a number of fleets — in two the AMR quote is the price charged; another says "AMR clean," also mentioned are "discounted AMR," "85 percent of AMR fair," "at AMR if car is surplus." In addition to those fleets that sell the car at wholesale, others mention these: "below wholesale," "wholesale less $200," and "90 percent of wholesale." Other prices asked include "buy out price from leasing company," "depreciated value," and in two fleets "fair market value."

What's In Store for March

The March issue of *NAFA Bulletin* will carry the personal use survey results for the public utility, government and Canadian groups.

It will provide you with information on the four fleet management areas: 1) personal use of company-provided vehicles; 2) criteria for assignment of company cars; 3) reimbursement for use of personally owned cars for business, and 4) compensation or sale of cars to employees who no longer qualify for a company-provided vehicle.

Miscellaneous Group

The Miscellaneous or Other Group consists of 32 fleets who do not fall within any of the other specific industry classifications. These fleets operate 11,922 passenger cars (2,604 company-owned, 9,318 leased). Personal use of the company car amounts to slightly more than 19 percent of the total number of miles driven.

1) Personal Use Policies

Thirty fleets in this group permit personal use of the company car; two do not. Two fleets do not permit personal use on weekends and holidays, and three fleets do not authorize use of the car for vacation travel.

Three fleets report having limitations on personal use. One did not specify the limitation, one says it is 3,600 miles a year, another requires the operator to pay for gas and oil (in addition to the regular chargeback) for trips of more than 200 miles.

Twenty-five of the 30 fleets have a regular personal use chargeback system; five do not charge for the personal use. Nine fleets have a straight mileage charge; six have a flat weekly or monthly charge, while 10 use a combination of charges.

In the fleets with a mileage charge, two set it at 11 cents a mile. In the others the charge is 9, 10, 15½, 17, 18, and 20½ cents a mile. Three fleets charge $25 a month; two charge $50 a month, and one fleet charges $15 a week for personal use.

Two fleets charge $50 a month and 10 cents a mile. Other fleets have these chargeback rates: $30.30 a month plus six cents a mile; $32 a month and 12 cents a mile; $20 a month and nine cents a mile; $20 a month plus 10 cents a mile; $15 a month and five cents a mile. One fleet charges $60 a month plus 20 cents a mile over 300 miles a month. One other fleet charges its employees three-fourths of the monthly lease rate plus $40 a month.

Eleven fleets collect the personal use chargeback through an expense report deduction; eight fleets deduct the charge from the employee's salary. Five fleets add the charge to the employee's income statement (the W-2 form) at the end of the year. One fleet gives the employee a separate W-2 form covering the additional income.

"Every fleet in the Miscellaneous Group reimburses its employees for business use of a personal car (when the assigned fleet car is not in operation) on a mileage basis."

A minimum age requirement for driving privileges is set by 12 fleets. In four fleets it is 18; in three fleets it is 21. Two fleets merely require that the operator "be licensed," while one fleet each sets the minimum age at 23 and 25.

Five fleets restrict use of the company car to the employee only; the other 25 permitting personal use allow driving by both the employee and spouse. Fourteen fleets permit children to use the car, and six extend the driving privilege to "others" in the same household.

Twelve fleets charge a portion of repair costs resulting from accidents occurring during personal use. Four of the 12 assess a specific dollar amount; in one fleet it is $50; in the other three it is $100. Eight fleets charge the employee the "insurance deductible," most frequently $250, although one fleet does charge $250 for collision and $150 for comprehensive.

2) Car Assignment

In response to the question, "what factors govern assignment of company provided cars?" eight fleets say mileage driven; 24 say "job title," while 10 mention "fringe benefit" as a factor. The number of responses to the question is more than the number of fleets in the group because of multiple answers.

Of the fleets with a business mileage requirement for company car assignment, three set it at 15,000 miles a year; two at 10,000, and one each at 6,000, 12,000, and 26,000 business miles a year.

3) Business Use of Personal Cars

When an employee uses a personal car for business (when there is no assigned company car) all but three fleets in this group reimburse on a straight mileage basis. In 10 fleets the rate is 20 cents a mile; in five fleets it is 20½; in two fleets it is 19 cents a mile. One fleet each pays at these rates: 12 cents a mile, 15, 19, 21, 22, and 30 cents a mile.

Three fleets pay a combination flat rate and mileage to the employee. The payments are $150 a month and 10 cents a mile; $150 a month plus 9½ cents a mile, and $180 a month plus 8½ cents a mile.

Every fleet reimburses its employees for business use of a personal car (when the assigned fleet car is not in operation) on a mileage basis. Nine pay 20 cents a mile; six pay 20½ cents, while two pay 19 cents a mile. Other rates include 12 cents a mile, 15, 18½, 21, 22, and 28 cents a mile.

4) Compensation for Loss of Car

Ten fleets in the group make a one time cash payment to employees who, because of transfer or reassignment, are no longer eligible for a company car. In two fleets the payment is $3,000. In one fleet each the payment is $1,100, $2,000, $2,500, $2,800, $3,500, and $4,000. One fleet pays the employee the "AMR value of a one year old car similar to the one driven." Another fleet says the payment "depends on job level."

Eight fleets in the group offer to sell the car to the employee. Each fleet uses a separate pricing formula for such sale. They include wholesale or residual value, whichever is higher; 90 percent of wholesale; wholesale; 90 percent of AMR less mileage; AMR clean less mileage; AMR less five percent less mileage; dealer appraisal and book value plus $200.■

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295 Madison Avenue, New York, N.Y. 10017
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Executive Director
ROBERT BERKE

Associate Executive Director
DAVID P. LEFEVER

Director of Publications
LYNNE WARSHAVSKY

Associate Editor
LORI A. McDONOUGH

Legal Counsel
WILLARD H. DaSILVA

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NAFA's Annual Used Car Marketing Survey:

Average Service Life Is Leased Cars Replaced

NAFA Exclusive

A total of 216 NAFA members, responsible for 147,281 passenger cars, participated in NAFA 's 1984 used car marketing survey. In order to provide a realistic understanding of their replacement cycling policies and used car marketing methods, the survey responses are divided into four general categories —U.S. commercial fleets, public utility, government, and Canadian fleets.

There are 143 fleets with 101,030 passenger cars in the U.S.commercial fleet segment. Their cars are kept in service an average of 30.2 months and driven an average of 57,732 miles before replacement.

These fleets marketed 32 percent of their cars in 1984. Three percent were 1980 or earlier models; 30 percent were 1981 models; 42 percent were 1982 models; 18 percent were 1983 models, and seven percent were 1984 models, or one year old cars.

Thirty-two percent of the group's cars were sold to employees; 26 percent at auctions; 25 percent to wholesalers; nine percent to used car dealers, and eight percent were traded to new car dealers.

Company-Owned Cars Kept Longer

Where a valid comparison could be made, it is apparent that leased cars are kept for a shorter time and driven fewer miles than company-owned cars. The figures are 29.4 months and 56,471 miles for leased cars, compared to 36.5 months and 62,221 miles for company-owned cars.

The public utility fleets keep their cars the longest. The average service life is 68.1 months and are driven 74,866 miles before replacement. The 15 fleets in the group replaced only 18 percent of their cars in 1984. The 27 government fleets represented in the survey keep their cars an average of 57.1 months and drive them 81,137 miles before replacement.

The Canadian segment of the 1984 survey consists of 31 fleets operating 7,483 cars. The Canadian fleets keep their cars in service 30.8 months and drive them 90,685 kilometers (56,225 miles) before replacement.

●

U.S. Commercial Fleet Segment

Manufacturing-Industrial Group

The Manufacturing-Industrial Group consists of 23 fleets operating 12,318 passenger cars (2,002 company-owned, 10,316 leased). In 1984 the fleets in this group sold 3,194 used cars, 28 percent of the vehicles in service at the beginning of the year.

Fifteen percent of the cars sold were 1981 model year cars; 69 percent were 1982 models; 15 percent were 1983 models, and one percent were 1984 model year cars.

When marketing their used cars, the fleets in the group sold 32 percent of their cars to employees; 36 percent to wholesalers, 13 percent to used car dealers, 18 percent to auctions, and one percent were sold or traded to new car dealers.

The average in-service life of the cars in the Manufacturing-Industrial Group was 31.1 months. On average, the cars had been driven 62,880 miles when sold.

In most of the fleets in this group, the responsibility for used car marketing was split between the lessor and fleet manager. In one fleet each, the fleet manager, the company car operator and the field office were also involved in used car marketing.

When setting a price of sale of a used car to employees, AMR price guides are the most widely

30.2 Months/57,732 Miles; Sooner than Company-Owned

used (by at least eight fleets). Three fleets rely on NADA or Black Book as a guide, while a number of fleets use the undepreciated book value as the basis for setting the price to employees.

The most frequently mentioned replacement cycle for 1984 was 36 months/55,000 miles (six fleets). Two fleets used 36 months or 75,000 miles as their replacement cycle. Other time and mileage cycles mentioned were 24 months/55,000 miles; 26 months/70,000 miles; 60 months/65,000 miles; 36 months/50,000 miles; 48 months/62,000 miles; 48 months/70,000 miles; 40 months/68,000 miles; 36 months/70,000 miles, 36 months/60,000 miles. One fleet said its cycle ranged from 18 to 40 months and 50,000 to 70,000 miles. Two fleets base their replacement solely on time in service — 25 and 26 months; while one other fleet reported that it replaces its cars at 50,000 miles.

"The average in-service life of the cars in the Manufacturing-Industrial Group was 31.1 months. On average, the cars had been driven 62,880 miles when sold."

Six fleets in the Manufacturing-Industrial Group reported they are planning to change their replacement cycle in 1985. Five will shorten service life with these changes: from 36 months/75,000 miles to 30 months/65,000 miles; 48 months/70,000 miles to 48 months/60,000 miles; 40 months/68,000 miles to 37 months/55,000 miles maximum; 36 months/70,000 miles to 36 months/60,000 miles; 26 to 24 months. One fleet reported it will change from a 36-month cycle to a 24-month cycle in 1986. One fleet is planning to increase the service life of its cars — from 36 months/55,000 miles to 36 months/75,000 miles.

Six fleets in the group reported they do some reconditioning before marketing their used cars. As a rule, this work consists of clean-up, tires, and interiors. The remaining fleets sell their used cars "as is."

Manufacturing-Consumer Group

The Manufacturing-Consumer Group consists of 21 fleets operating 19,914 passenger cars (10,440 company-owned, 9,474 leased). In 1984 the fleets in this group sold 6,670 used cars. Forty-one percent of the cars sold were 1981 model cars; 45 percent were 1982 model units; 12 percent were 1983 cars, while one percent each were 1980 or older cars and 1984 model year cars.

Among the predominantly leased fleets, 46 percent of the used car sales were to employees, 14 percent were to wholesalers, 39 percent to auctions, and less than one-half of one percent were sold to used car dealers and new car dealers.

Majority of Cars Sold to Employees

Among the company-owned fleets, 47 percent of the used cars were sold to employees, 20 percent were sold to wholesalers, 31 percent were consigned to auctions. One percent each were sold to used car dealers and traded to new car dealers.

According to the survey responses, cars in leased fleets had an average service life of 31.4 months and had been driven 58,309 miles when sold. In company-owned fleets, the average service life was 37.6 months and 67,500 miles when sold.

In most fleets with leased cars, the responsibility

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Used Car Marketing Survey

(Continued from page 9)

for used car marketing was shared by the fleet manager and leasing company. One fleet received help in selling used cars from its field offices. Among the company-owned fleets, the marketing of used cars was handled by the fleet manager, except for one fleet that employed a fleet management service.

When determining the price of used cars sold to employees, three fleets base the price on NADA and AMR values; six rely on AMR quotes, while other fleets base it on the car's book value, its condition, market value, and quotes from leasing companies.

3 Years/55,000 Miles — Most Common Cycle

At the present time the most frequently used replacement cycle in this group is 36 months/55,000 miles (five fleets). Three fleets use a 36 months/60,000 mile cycle; four use a 36 months/50,000 mile service life. Other time and mileage replacement cycles include 36 months/65,000 miles; 24 months/55,000 miles; 24 months/60,000 miles; two fleets have a 48 month/100,000 mile cycle; one fleet uses a 48 month/70,000 mile replacement policy. Two fleets in the group base their replacement cycle on mileage only. In both fleets it is 60,000 miles.

"Five fleets in the Manufacturing-Consumer Group report they do some reconditioning before selling their used cars... the work is generally cosmetic, costing less than $150."

Six fleets in the group plan to change their replacement policy in 1985. Two fleets are switching from 36 months/60,000 miles to 36 months/55,000 miles. One fleet is switching from 36 months/55,000 miles to 27 months. Two fleets with mileage only policies are shortening their cycles, one from 70,000 to 55,000 miles; the other from 60,000 to 50,000 miles. One fleet is lengthening its replacement cycle from 48 months/100,000 miles to 60 months/125,000 miles.

Five fleets in the group report they do some reconditioning before selling their used cars. In the words of one NAFA member, the work is generally "cosmetic, costing less than $150." The other fleets in the group sell their cars "as is."

Insurance Group

The Insurance Group participating in the Used Car Marketing Survey consists of 29 fleets operating 23,125 passenger cars (13,930 company-owned, 9,195 leased). In 1984 the fleets in the group sold 8,337 cars, or 36 percent of the vehicles in operation at the start of the year.

Survey Highlights

- U.S. Commercial Fleets keep their cars in service an average of 30.2 months and are driven an average of 57,732 miles before replacement.
- Leased cars are kept for a shorter time and driven fewer miles than company-owned cars.
- The Public Utility fleets keep their cars the longest. The average service life is 68.1 months and they drive them 74,866 miles before replacement.

Of the vehicles sold in 1984, three percent were 1980 or earlier models; 35 percent were 1981 models; 36 percent were 1982 models; 22 percent were 1983 models, and four percent were 1984 model year cars.

Among the members in the Insurance Group with predominantly leased cars, 19 percent of the used cars were sold to employees; 10 percent were sold to wholesalers; three percent to used car dealers; 68 percent were consigned to auctions. No fleet sold or traded cars to new car dealers.

In company-owned fleets, 33 percent of the used cars were sold to employees, 10 percent were sold to wholesalers; 10 percent to used car dealers; 15 percent were consigned to auctions, and 32 percent were sold or traded to new car dealers.

According to the survey responses, leased fleets kept their cars in service an average of 30 months and drove the cars 54,000 miles before replacement. In company-owned fleets, the average service life was 30.7 months and 58,700 miles.

Who is Responsible for Used Cars?

In answering the question, "who is responsible for the sale of used cars?" fleet managers of leased fleets replied almost equally that it was divided between the fleet manager and the lessor. Among the company-owned fleets, in all but three fleets, the sale of used cars is handled exclusively by the fleet manager. In two fleets a management service assumes some of the responsibility, and one fleet asks its field office to handle some of the used car sales.

When setting the price of a used car to be sold to an employee, 11 fleets base it on AMR listings with various deductions. Seven fleets use NADA and Blue Book values as their guides. Other fleets rely on their leasing companies or management service in setting the used car price for employees.

The majority of fleets in the group use a replacement cycle based on months in service and/or mileage driven. Four fleets use 36 months/60,000 miles; three fleets each use 36 months/55,000 miles and 30 months/60,000 miles; three use 36 months/

50,000 miles. Two fleets have a replacement cycle of 24 months/50,000 miles. Other cycles in use include: 48 months/65,000 miles; 18 months/47,000 to 60,000 miles; 24 months/42,000 miles; 48 months/60,000 miles; 48 months/100,000 miles; 27 months/55,000 miles, and 12 months/25,000 miles or 24 months/40,000 miles. Three fleets base replacement solely on miles driven. In these fleets it is: 48,500 miles, 50,000, but never over 60,000 miles and 75,000 miles.

Seven fleets in the Insurance Group plan to change their replacement cycle in 1985. Two are increasing it; one from 48 months/65,000 miles to 60 months/65,000 miles and 24 months/50,000 miles to 36 months/60,000 miles. The other five fleets are shortening the cycle: 36 months/55,000 miles to 27 months/55,000 miles; 36 months/60,000 miles to 36 months/50,000 miles; 50,000 miles to 24 months/40,000 miles; 36 months/60,000 miles to 36 months/55,000 miles, and 36 months/60,000 miles to 24 months.

Six fleets in the Insurance Group do some reconditioning on their used cars before marketing them; the remaining fleets in the group sell used cars "as is."

Chemical & Petroleum Group

The Chemical and Petroleum Group consists of 18 fleets operating 6,877 passenger cars (3,625 company-owned, 3,252 leased). In 1984 these fleets sold 1,515 cars, 23 percent of their total stock at the start of the year.

"In the Chemical & Petroleum Group, the responsibility for marketing used cars in the leased fleets is almost equally divided between lessors and fleet managers."

Twelve percent of the cars sold in 1984 were 1980 or older models; 50 percent were 1981 models; 31 percent were 1982 models; six percent were 1983 models, and one percent were 1984 model year cars.

Among the fleets with predominantly leased cars, 43 percent of the used cars were sold to employees; 24 percent were sold to wholesalers; 18 percent were sold to used car dealers; 10 percent were consigned to auctions, and five percent were sold or traded to new car dealers.

In company-owned fleets, 11 percent of the used cars were sold to employees; 40 percent were sold to wholesalers; 21 percent went to used car dealers; 26 percent went to auctions, and two percent were traded to new car dealers.

Leased Cars Kept Less Time

Fleets operating under a lease arrangement kept their cars in service an average of 30.3 months while driving them 60,555 miles. In company-owned fleets the average service life was 39.1 months and 71,666 miles.

The responsibility for marketing used cars in leased fleets was almost equally divided between lessors and fleet managers. In company-owned fleets the responsibility in all but two fleets rested with the fleet manager. In the other two it was shared with a management service and the company's field offices.

In six fleets AMR was the guide for setting the price of a used car being sold to an employee. NADA or "Yellow Book" was mentioned by two fleets, as was "Black Book." In seven fleets the used car price to employees is set by the fleet administrator; in at least four it is determined by the leasing company.

Popular Replacement Cycles

The most widely used replacement cycle in the Chemical & Petroleum Group is 36 months/60,000 miles (five fleets). Other replacement cycles being used (in one fleet each) include: 48 months/50,000 miles; 60 months/90,000; 48 months/80,000 miles for full size cars and 36 months/65,000 miles for mid-size cars; 36 months/100,000 miles; 36 months/65,000 to 70,000 miles; 75,000 to 80,000 miles; 100,000 miles; 60 months/70,000 miles; 36 months/35,000 miles, and 50,000 miles.

(Continued on page 12)

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Used Car Marketing Survey

(Continued from page 11)

Three fleets in the group are planning to change their replacement policies during 1985. One fleet is moving from a five year/80,000 mile policy to 4 years/80,000 miles; another is switching from 48 months/80,000 miles to 36 months/60,000 miles. The third is shifting from 40 months/80,000 miles to 40 months/60,000 miles.

Three fleets in the Chemical & Petroleum Group recondition their cars before putting them on the market. All three said "only minor work" was done. The other fleets in the group sell used cars in an "as is" condition.

Drug & Cosmetics Group

The Drug & Cosmetics Group consists of 17 fleets operating 15,045 passenger cars (1,114 company-owned, 13,931 leased). In 1984 these fleets sold 5,743 used cars, 38 percent of their total stock at the start of the year.

Ten percent of the cars sold in 1984 were 1981 models; 62 percent were 1982 models; 22 percent were 1983 models, and six percent were 1984 model years cars (one year old).

Of the cars sold in 1984, 31 percent were marketed to employees; 39 percent were sold to wholesalers; 13 percent went to used car dealers, and 17 percent were consigned to auctions. No fleet in the group sold or traded any cars to new car dealers.

In the Drug & Cosmetics Group, responsibility for marketing used cars is divided almost equally between the fleet manager and lessor.

The cars in the group are kept in service an average of 27.1 months and driven 58,117 miles before being sold.

AMR Used As Guideline

When determining the price of a car being sold to an employee, six fleets use AMR, with some variations, as their guide. Two fleets base the price on the undepreciated book value. One fleet sells the used car at the depreciated value, if it is a one year old car, adds $250 to value for a two year old car, and $500 for a three year old car. In five fleets the used car price to employees is not set by the leasing company.

Six fleets in the group have a replacement policy of 36 months/55,000 miles. Four use a cycle of 36 months or 60,000 miles, while two fleets use a 24 months/50,000 mile cycle. Other policies mentioned by fleets in the Drug & Cosmetic Group include: 37 months/75,000 miles; 48 months/62,000 miles; 36 months/70,000 miles; 36 months/50,000 miles. One fleet replaces its cars every 26 months regardless of mileage.

Three fleets plan to change their replacement cycle policy in 1985. All are either shortening the time or decreasing the mileage driven. The changes are 37 months/75,000 miles to 25 months/60,000 miles; 36 months/55,000 miles to 36 months/50,000 miles, and 28 months/55,000 miles to 24 months/45,000 miles.

No fleet in this group reconditions its used cars before placing them on the market. All fleets set their used cars "as is."

Food & Beverage Group

The Food & Beverage Group consists of 14 fleets operating 8,856 passenger cars (3,976 company-owned, 4,880 leased). The fleets in the group sold 3,364 cars in 1984, 38 percent of the number they had in service at the start of the year.

Of the cars sold in 1984, 22 percent were 1981 models; 67 percent were 1982 models; 10 percent were 1983 models, and one percent were 1984 model year (one-year-old) cars.

"When selling cars to employees, six fleets in the Food & Beverage Group base their used car price on AMR with variations for mileage and condition."

(Editor's note: These percentages and those that follow giving details of used car marketing methods employed by the group omit one large fleet that trades most of its cars on a one-year cycle to new car dealers.)

Among leased fleets, 26 percent of the cars sold in 1984 went to employees; 31 percent were sold to wholesalers; one percent to used car dealers, and 42 percent were consigned to auctions.

Most Sold to Employees and Wholesalers

In company-owned fleets, 43 percent of the used cars were sold to employees; 42 percent were sold to wholesalers; one percent went to used car dealers, and 13 percent were sold at auction. One percent

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Composite Commercial Fleet

Fleet Size	**706 units**
Cars Sold in 1984	**226**
Model Year Cars Sold	
1980 or earlier	**7**
1981	**68**
1982	**95**
1983	**40**
1984	**16**
Marketing Methods	
To Employees	**72**
Wholesalers	**56**
Used Car Dealers	**20**
Auctions	**58**
Trade-Ins	**20**

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were traded to new car dealers, not including the fleet mentioned above.

Cars in leased fleets had an average service life of 27.7 months and 59,214 miles. Company-owned fleets kept their cars in service an average of 32.8 months and drove them 60,700 miles before replacement. The one fleet excluded from these averages keeps its cars an average of 12.1 months and drives them 21,900 miles before replacement.

In predominantly leased fleets, the responsibility for marketing used cars is split almost equally between the fleet administrator and leasing company. In the company-owned operations, the responsibility in all but two fleets rests with the fleet administrator except for two fleets that employ a fleet management service.

When selling cars to employees, six fleets base the used car price on AMR with variations for mileage and condition. Other fleets use the "book value," "Blue Book," wholesale prices or bids.

"One fleet in the Food & Beverage Group commented, "we are moving towards a complete employee-owned fleet; all sales cars will be employee-owned and so will some management cars."

In 1984 three fleets had a replacement policy of 36 months/60,000 miles. Other replacement policies reported include: 36 months/75,000 miles; 24 months/50,000 miles; 36 months/50,000 miles; 50 months/60,000 miles; 36 months/45,000 miles; 24 months/60,000 miles; 60 months/150,000 miles; 30 months/65,000 miles; 50,000 to 55,000 miles, and 65,000 miles. One fleet stated its replacement policy was "based on used car market" conditions. Another fleet commented, "we are moving towards a complete employee-owned fleet; all sales cars will be employee-owned and so will some management cars."

Three fleets in the Food & Beverage Group are planning to change their replacement policies in 1985. One will reduce its average mileage from 65,000 in 1984 to 60,000 in 1985, and to 55,000 in 1984. One fleet is moving from a 50 months/60,000 mile policy to 36 months/45,000 miles. The third fleet, which had a 36 month/60,000 mile policy, is switching to a 60,000 mile policy without consideration of months in service.

No fleet in the group reconditions its used cars before marketing them; all sell them "as is."

Banking & Financing

The Banking & Finance Group consists of seven institutions operating 854 cars (300 company-owned, 554 leased). The fleets in this new grouping sold 210 cars in 1984, 25 percent of their stock at the start of the year. Of the cars sold last year, 15 percent were 1980 or earlier models; 30 percent were 1981 models; 36 percent were 1982 models, 11 percent were 1983 models, and eight percent were 1984 or one year old cars.

Of the fleets with leased cars, 28 percent of the used cars were sold to employees; all the rest (72 percent) were sold at auctions. Company-owned fleets sold 17 percent of their used cars to employees; 20 percent to wholesalers, and 63 percent were sold at auction. No fleet sold any cars to used car dealers or traded any to new car dealers.

In response to the question of who has responsibility for marketing used cars, in leased fleets, it is the fleet manager along with the leasing company and, in one fleet, a management service. In the company-owned fleets the responsibility is given to the fleet manager (in one fleet some units are sold by field offices).

Company Cars Run 15 Months Longer

Average service life of cars in leased fleets is 27.8 months and 50,750 miles. In contrast, the service life in company-owned fleets is 42.7 months and 53,666 miles.

Two of the five fleets in this small group do not sell used cars to employees. The five that do base their price on fair market value; wholesale values, dealer appraisals, and average "Black Book" prices.

Two fleets in the group have a replacement policy of 36 months or 60,000 miles. Other policies mentioned (by one fleet each) are: 48 months/60,000 miles; 36 months/50,000 miles; 36 months; 48,000 miles, and 50,000 miles. No fleet is planning to change its replacement policy in 1985, but one fleet said it will change its policy in 1986 when it will shift from a mileage only limitation — 48,000 — to 36 months in service.

"One fleet in the Banking & Finance Group said it reconditioned its cars before placing them on the market. The work consists of minor engine repairs, transmission, brakes, front end, and accident repairs."

One fleet said it reconditioned its cars before placing them on the market. The work consists of minor engine repairs, transmission, brakes, front end, and accident repairs.

The other fleets in the group market their used cars in an "as is" condition.

Other

Every NAFA survey includes an "Other" group — those fleets that don't fall into one of the regular categories. In this group are communications, conglomerates, wholesalers, cooperatives, etc. In the Used Car Marketing survey, this group consists of

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16 fleets operating 14,041 cars (12,352 company-owned, 1,689 leased).

In 1984 these fleets sold 3,131 cars, 22 percent of their total stock at the start of the year. Eight percent of the cars sold during the year were 1980 or earlier models; 21 percent were 1981 models; 56 percent were 1982 models; 13 percent were 1983 models, and two percent were 1984 model year cars.

Among the leased fleets in the group, 47 percent of their used cars were sold to employees; 12 percent to wholesalers; 36 percent were consigned to auctions, and five percent were sold to used car dealers. No cars were traded to new car dealers.

"Two of the company-owned fleets in the Miscellaneous Group use a management service to help market their used cars; in the other fleets it was the responsibility of the fleet manager."

The company-owned fleets sold 20 percent of their used cars to employees; 31 percent were sold to wholesalers, 20 percent to used car dealers; 27 percent to auctions, and one percent were traded to new car dealers.

Two of the company-owned fleets used a management service to help market their used cars; in the other fleets it was the responsibility of the fleet manager. In the leased fleets, the used car marketing responsibility was shared by the fleet administrator and the leasing company, while two fleets in this sub-group had the operator sell some of the used cars.

Once again, leased cars were kept in service a shorter period than company-owned cars, 29.5 months for leased fleets as compared to 39.7 months for company-owned cars. Leased cars were driven an average of 56,000 miles, while company-owned cars were driven an average of 67,562 miles before replacement.

Price Based on Book Value

When determining the price of cars sold to employees, five fleets base the price on the car's book value to the corporation. Three fleets use AMR, with variations for mileage and condition, as the pricing guide. Other formulas mentioned by fleets in this group included, NADA loan value; market value; dealer "Blue Book;" leasing company quote, and "Black Book" rough.

Because the fleets in this group come from a wide range of industries there is little uniformity in their replacement policies. Two fleets use 24 months or 50,000 miles. Other policies mentioned include: 36 months/75,000 miles; 48 months/65,000 miles, 24 months/40,000 miles or 36 months/50,000 miles; 48 months/60,000 miles; 12 months/20,000 miles; 30 months/60,000 miles; 60 months/100,000 miles; 36 months/60,000 miles; 36 months/70,000 miles; 36 months/55,000 miles. One fleet has a straight 24 month policy; another 50,000 to 60,000 miles. Another fleet said its policy

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Group	Cars In Fleet	Owned	Leased	Sold In 1984	MODEL YEARS 1980 and Earlier	1981
Drug & Cosmetics (17)	15,045	1,114	13,931	5,743	—	547
Insurance (29)	23,125	13,930	9,195	8,337	146	2,025
Mfg.-Industrial (21)	12,318	2,002	10,316	3,194	—	407
Mfg.-Consumers (21)	19,914	10,440	9,474	6,670	56	2,640
Food & Beverage (14)	8,856	3,976	4,880	3,364	—	372
Chemical & Petroleum (18)	6,877	3,625	3,252	1,523	177	761
Banking & Financial (7)	854	300	554	210	19	38
Other (16)	14,041	12,352	1,689	3,131	247	655
U.S. Commercial (143)	101,030	47,739	53,291	32,172*	645	7,445
Public Utility (15)	20,126	19,801	325	3,732*	547	3,120
Government (27)	18,639	18,529	110	3,189*	2,069	947
Canada (31)	7,486	3,626	3,860	1,812*	240	821

*These totals may differ from selling method totals because not everyone answered this section of the questionnaire.